

1999

ANNUAL REPORT



A.I.S. RESOURCES LIMITED

A.I.S. RESOURCES LIMITED
#2150, 250-6th Avenue SW
Calgary, Alberta
T2P 3H7

President's Report to the Shareholders

Date: April 30, 2000

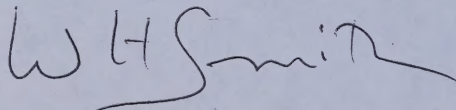
Dear Shareholder:

During the course of 1999, your Board of Directors continued to explore a number of investment opportunities and new business areas. The Company invested a portion of its cash in common shares of Canop Worldwide Corporation, a Canadian Venture Exchange listed company with interesting petroleum prospects in Tanzania.

The financial statements of the company for the year ended December 31, 1999 are attached.

Yours truly,

A.I.S. Resources Limited

A handwritten signature in dark ink, appearing to read 'W H Smith', with a stylized flourish at the end.

William H. Smith Q.C.
President

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of A.I.S. Resources Limited as at December 31, 1999 and 1998 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
April 6, 2000

A.I.S. RESOURCES LIMITED

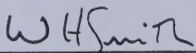
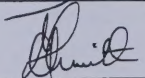
Balance Sheets

December 31, 1999 and 1998

	1999	1998
Assets		
Current assets:		
Cash and short-term investments (note 2)	\$ 1,626,069	\$ 2,225,514
Marketable securities (note 3)	6,045	6,045
Accounts receivable	8,388	10,910
	1,640,502	2,242,469
Marketable securities (note 3)	500,000	-
Sale proceeds receivable	7,105	7,105
	\$ 2,147,607	\$ 2,249,574
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,881	\$ 24,442
Provision for future site restoration	22,459	15,600
Shareholders' equity:		
Share capital (note 4)	400,676	400,676
Contributed surplus	2,756,375	2,756,375
Deficit	(1,044,784)	(947,519)
	2,112,267	2,209,532
	\$ 2,147,607	\$ 2,249,574

See accompanying notes to financial statements.

On behalf of the Board:

	Director
	Director

A.I.S. RESOURCES LIMITED

Statements of Operations and Deficit

Years ended December 31, 1999 and 1998

	1999	1998
Revenue:		
Petroleum and natural gas (net of royalties)	\$ 33,897	\$ 25,138
Interest	80,202	102,337
Recovery of provision for obligations	—	8,919
	114,099	136,394
Expenses:		
Operating	26,320	45,686
General and administrative	183,692	136,096
Future site restoration	6,859	7,500
Depletion and depreciation	—	2,996
	216,871	192,278
Loss before income taxes	(102,772)	(55,884)
Income taxes (recovery) (note 5)	(5,507)	3,655
Net loss	(97,265)	(59,539)
Deficit, beginning of year	(947,519)	(887,980)
Deficit, end of year	\$(1,044,784)	\$ (947,519)
Loss per share	\$ (0.02)	\$ (0.01)

See accompanying notes to financial statements.

A.I.S. RESOURCES LIMITED

Statements of Cash Flows

Years ended December 31, 1999 and 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Net loss	\$ (97,265)	\$ (59,539)
Items not affecting cash:		
Depletion and depreciation	—	2,996
Future site restoration	6,859	7,500
	(90,406)	(49,043)
Change in non-cash working capital (note 6)	(9,039)	(14,558)
	(99,445)	(63,601)
Investing:		
Acquisition of marketable securities	(500,000)	—
Decrease in cash position	(599,445)	(63,601)
Cash position, beginning of year	2,225,514	2,289,115
Cash position, end of year	\$ 1,626,069	\$ 2,225,514

Cash position consists of cash and short-term investments.

See accompanying notes to financial statements.

A.I.S. RESOURCES LIMITED

Notes to Financial Statements

Years ended December 31, 1999 and 1998

General

A.I.S. Resources Limited (the "Company") was incorporated under the laws of Bahamas Islands. The Company participates in oil and gas properties in Western Canada and holds various investments in Canada.

1. Significant accounting policies:

(a) Capital assets:

The Company uses the full-cost method of accounting for petroleum and natural gas operations and, accordingly, capitalizes all exploration and development costs. These costs include land acquisition, geological and geophysical costs, drilling (including related overhead) on producing and non-producing properties and other carrying charges on unproven properties. Proceeds of disposition are applied against the cost pools with no gain or loss recognized except where the disposition results in a change in the rate of depletion and depreciation of 20% or more.

The cost of significant unevaluated properties are excluded from the depletion and depreciation base. The carrying value is limited to the recoverable amount as determined by estimating the present value of future net revenues from proven properties based on current prices and costs and the value of unproven properties at the lower of cost and net realizable value less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes. Amortization of these costs is calculated on the unit-of-production method based on estimated proven reserves, before royalties, as determined by independent engineers. For purposes of depletion and depreciation calculations, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content.

(b) Joint ventures:

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(c) Provision for future site restoration:

The Company estimates its future site restoration and abandonment costs for its oil and gas properties. The costs represent management's best estimate of the future restoration and abandonment costs based upon current legislation and industry practices. Total estimated costs are being provided for on a unit-of-production basis. The annual provision included in amortization expense and actual site restoration costs are charged to the provision as incurred.

A.I.S. RESOURCES LIMITED

Notes to Financial Statements, Page 2

Years ended December 31, 1999 and 1998

1. Significant accounting policies (continued):

(c) Provision for future site restoration (continued):

The provision for future site restoration costs is recorded in the statement of operations and deficit and on the balance sheet as a long-term liability. At December 31, 1999, the total estimated future site restoration cost of \$22,459 has been fully provided for.

(d) Marketable securities

Marketable securities are carried at the lower of cost and market value.

(e) Income taxes:

The Company follows the deferral method of accounting for income taxes.

(f) Measurement uncertainty:

The amounts recorded for depletion and depreciation of property, plant and equipment and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements from changes in such estimates in future periods could be significant.

(g) Earnings (loss) per share:

Earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings per share, where applicable, reflect the exercise of options and issuance of Common Shares for warrants as if issued at the later of the date of grant or the beginning of the year.

2. Short-term investments:

As at December 31, 1999, the Company had the following short-term investments:

- (a) \$1,545,954 (1998 - \$2,131,333) invested in treasury bills maturing January 13, 2000 (1998 - January 7, 1999) and having a face value of \$1,550,000 (1998 - \$2,142,000); and
- (b) \$56,289 (\$39,000 U.S.) invested in a U.S. term deposit maturing January 24, 2000.

A.I.S. RESOURCES LIMITED

Notes to Financial Statements, Page 3

Years ended December 31, 1999 and 1998

3. Marketable securities:

As at December 31, 1999, the Company had \$6,045 (1998 - \$6,045) in Government of Canada Bonds with an interest rate of 13% to mature May 1, 2001.

In June 1999, the Company purchased 833,333 shares at \$0.60 per share for a total investment of \$500,000, in Canop Worldwide ("Canop"), a publicly traded company on the Canadian Venture Exchange. The Company is related to Canop as the companies have several common directors and officers. The transaction is recorded at cost which represents the fair market value of the shares at the time of the transaction. At December 31, 1999, the fair market value of the investment is approximately \$640,000.

4. Share capital:

(a) Authorized:

The authorized Common Shares of the Company is \$3,157,050 (1998 - \$3,157,050) and can be issued in any combination of Common and Preferred Shares at \$0.10 par value.

(b) Issued:

4,006,763 Common Shares were outstanding at December 31, 1999 and 1998.

5. Income taxes:

The provision for income taxes differs from the result which would have been obtained by applying the combined federal and provincial income tax rate of 44.6% to the Company's earnings (loss) for the year. The difference relates to the following items:

	1999	1998
Expected income tax recovery	\$ (45,836)	\$ (24,925)
Increase (decrease) in income tax resulting from:		
Capital taxes	—	3,655
Non-deductible resource charges	1,302	5,815
Unrecognized benefit of accounting loss	39,027	19,110
	\$ (5,507)	\$ 3,655

A.I.S. RESOURCES LIMITED

Notes to Financial Statements, Page 4

Years ended December 31, 1999 and 1998

5. Income taxes (continued):

As at December 31, 1999, there were approximately \$660,000 of non-capital losses available to reduce future taxable income. These losses expire as follows:

2000	\$ 244,000
2001	80,000
2002	26,000
2003	170,000
2005	39,000
2006	101,000
	<hr/>
	\$ 660,000

In addition, approximately \$457,000 of net capital losses with no expiry date are available to apply against future capital gains.

The benefit of these losses has not been reflected in these financial statements.

6. Change in non-cash working capital:

	1999	1998
Accounts receivable	\$ 2,522	\$ 25,796
Accounts payable and accrued liabilities	(11,561)	(40,354)
	<hr/>	<hr/>
	\$ (9,039)	\$ (14,558)

The following cash receipts (payments) have been included in the determination of earnings:

	1999	1998
Interest received	\$ 80,202	\$ 102,337
Taxes recovered (paid)	5,507	(3,655)
	<hr/>	<hr/>
	\$ 85,709	\$ 98,682

A.I.S. RESOURCES LIMITED

Notes to Financial Statements, Page 5

Years ended December 31, 1999 and 1998

7. Related party transactions:

For the year ended December 31, 1999, the Company paid \$24,736 (1998 - \$5,058) in legal fees to a firm of which a director is a partner and \$100,000 (1998 - \$100,000) in management and consulting fees to a company owned by a director.

8. Financial instruments:

The carrying value of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

CORPORATE INFORMATION

Board of Directors

Lady Edith L. Turnquest,
Wilfrid D. Roach
C. Alan Smith
William H. Smith Q.C.

Officers

C. Alan Smith, Chairman of the Board
William H. Smith Q.C., President
Lady Edith L. Turnquest, Secretary
Aeonian Capital Corporation, Managing Director
E. Lorraine Campbell, Treasurer

Auditors

KPMG LLP
1200, 205 – 5th Avenue, S.W.
Calgary, Alberta T2P 4B9
Canada

Bankers

The Royal Bank
335 – 8th Avenue, S.W.
Calgary, Alberta T2P 1C9
Canada

Lawyers

McCarthy Tétrault
Barristers & Solicitors
3200, 421 – 7th Avenue, S.W.
Calgary, Alberta T2P 4K9
Canada

Executive Office

2150, 250 – 6th Avenue, S.W.
Calgary, Alberta T2P 3H7
Canada

Head Office

DuPuch & Turnquest & Co.
308 East Bay Street
P.O. Box N-8181
Nassau, The Bahamas

Registrar and Transfer Agent

Valiant Corporate Trust
510, 550 – 6 Avenue S.W.
Calgary, Alberta T2P 0S2
Canada

Listed

The Canadian Venture Exchange
Trading Symbol: AIS